

108TH CONGRESS
1ST SESSION

S. 172

To amend title XVIII of the Social Security Act to improve the access of medicare beneficiaries to services in rural hospitals and critical access hospitals, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 15, 2003

Mr. DAYTON introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title XVIII of the Social Security Act to improve the access of medicare beneficiaries to services in rural hospitals and critical access hospitals, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS; AMEND-**
4 **MENTS TO THE SOCIAL SECURITY ACT.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Rural Health Care Equity Act of 2003”.

7 (b) TABLE OF CONTENTS.—The table of contents of
8 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Permitting hospitals to allocate swing beds and acute care inpatient beds subject to a total limit of 25 beds.
- Sec. 3. Elimination of isolation test for cost-based CAH ambulance services.
- Sec. 4. Adjustment to wage index.
- Sec. 5. Establishing a single standardized amount under medicare inpatient hospital PPS.
- Sec. 6. Restoring full market basket update for inpatient PPS hospitals.
- Sec. 7. Freezing indirect medical education (IME) adjustment percentage at 6.5 percent.
- Sec. 8. Establishment of rural community hospital (RCH) program.
- Sec. 9. Removing barriers to establishment of distinct part units by RCH and CAH facilities.
- Sec. 10. Improvements to medicare critical access hospital (CAH) program.
- Sec. 11. 5-year extension of the authorization for appropriations grant program.
- Sec. 12. GAO study on wage indexing and placement of hospitals in MSAs.

1 (c) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

2 Except as otherwise specifically provided, whenever in this
 3 Act an amendment is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered a reference to that section or other
 6 provision of the Social Security Act.

7 **SEC. 2. PERMITTING HOSPITALS TO ALLOCATE SWING**
 8 **BEDS AND ACUTE CARE INPATIENT BEDS**
 9 **SUBJECT TO A TOTAL LIMIT OF 25 BEDS.**

10 (a) IN GENERAL.—Section 1820(c)(2)(B)(iii) (42
 11 U.S.C. 1395i–4(c)(2)(B)(iii)) is amended to read as fol-
 12 lows:

13 “(iii) provides not more than a total
 14 of 25 extended care service beds (pursuant
 15 to an agreement under subsection (f)) or
 16 acute care inpatient beds (meeting such
 17 standards as the Secretary may establish)

1 for providing inpatient care for a period
 2 that does not exceed, as determined on an
 3 annual, average basis, 96 hours per pa-
 4 tient;”.

5 (b) CONFORMING AMENDMENT.—Section 1820(f)
 6 (42 U.S.C. 1395i–4(f)) is amended by striking “and the
 7 number of beds used at any time for acute care inpatient
 8 services does not exceed 15 beds”.

9 **SEC. 3. ELIMINATION OF ISOLATION TEST FOR COST-BASED**
 10 **CAH AMBULANCE SERVICES.**

11 Section 1834(l)(8) (42 U.S.C. 1395m(l)), as added
 12 by section 205(a) of the Medicare, Medicaid, and SCHIP
 13 Benefits Improvement and Protection Act of 2000 (Ap-
 14 pendix F, 114 Stat. 2763A–463), as enacted into law by
 15 section 1(a)(6) of Public Law 106–554, is amended by
 16 striking the comma at the end of subparagraph (B) and
 17 all that follows and inserting a period.

18 **SEC. 4. ADJUSTMENT TO WAGE INDEX.**

19 (a) IN GENERAL.—Section 1886(d)(3)(E) (42 U.S.C.
 20 1395ww(d)(3)(E)) is amended—

21 (1) by striking “WAGE LEVELS.—The Sec-
 22 retary” and inserting “WAGE LEVELS.—

23 “(i) IN GENERAL.—Except as provided in
 24 clause (ii), the Secretary”; and

1 (2) by adding at the end the following new
2 clause:

3 “(ii) ALTERNATIVE PROPORTION TO BE AD-
4 JUSTED IN FISCAL YEARS 2003, 2004, AND 2005.—

5 “(I) IN GENERAL.—Except as provided in
6 subclause (II), for discharges occurring on or
7 after October 1, 2002, and before October 1,
8 2005, the Secretary shall substitute ‘63 per-
9 cent’ for the proportion described in the first
10 sentence of clause (i).

11 “(II) HOLD HARMLESS FOR CERTAIN HOS-
12 PITALS.—For discharges occurring on or after
13 October 1, 2002, and before October 1, 2005,
14 if the application of subclause (I) would result
15 in lower payments to a hospital than would oth-
16 erwise be made, then this subparagraph shall be
17 applied as if this clause had not been enacted.

18 (b) WAIVING BUDGET NEUTRALITY.—Section
19 1886(d)(3)(E) (42 U.S.C. 1395ww(d)(3)(E)), as amended
20 by subsection (a), is amended by adding at the end of
21 clause (i) the following new sentence: “The Secretary shall
22 apply the previous sentence for any period as if clause (ii)
23 had not been enacted.”.

1 **SEC. 5. ESTABLISHING A SINGLE STANDARDIZED AMOUNT**
2 **UNDER MEDICARE INPATIENT HOSPITAL**
3 **PPS.**

4 (a) IN GENERAL.—Section 1886(d)(3)(A) (42 U.S.C.
5 1395ww(d)(3)(A)) is amended—

6 (1) in clause (iv), by inserting “and ending on
7 or before September 30, 2002,” after “October 1,
8 1995,”; and

9 (2) by redesignating clauses (v) and (vi) as
10 clauses (vii) and (viii), respectively, and inserting
11 after clause (iv) the following new clauses:

12 “(v) For discharges occurring in the fiscal year
13 beginning on October 1, 2002, the average standard-
14 ized amount for hospitals located in areas other than
15 a large urban area shall be equal to the average
16 standardized amount for hospitals located in a large
17 urban area.

18 “(vi) For discharges occurring in a fiscal year
19 beginning on or after October 1, 2003, the Secretary
20 shall compute an average standardized amount for
21 hospitals located in all areas within the United
22 States equal to the average standardized amount
23 computed under clause (v) or this clause for the pre-
24 vious fiscal year increased by the applicable percent-
25 age increase under subsection (b)(3)(B)(i) for the
26 fiscal year involved.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) UPDATE FACTOR.—Section
 3 1886(b)(3)(B)(i)(XVII) (42 U.S.C.
 4 1395ww(b)(3)(B)(i)(XVII)) is amended by striking
 5 “for hospitals in all areas,” and inserting “for hos-
 6 pitals located in a large urban area,”.

7 (2) COMPUTING DRG-SPECIFIC RATES.—

8 (A) IN GENERAL.—Section 1886(d)(3)(D)
 9 (42 U.S.C. 1395ww(d)(3)(D)) is amended—

10 (i) in the heading by striking “IN DIF-
 11 FERENT AREAS”;

12 (ii) in the matter preceding clause

13 (i)—

14 (I) by inserting “for fiscal years
 15 before fiscal year 1997” before “a re-
 16 gional DRG prospective payment rate
 17 for each region,”; and

18 (II) by striking “each of which
 19 is”;

20 (iii) in clause (i)—

21 (I) by inserting “for fiscal years
 22 before fiscal year 2003,” after “(i”;
 23 and

24 (II) in subclause (II), by striking
 25 “and” after the semicolon at the end;

1 (iv) in clause (ii)—

2 (I) by inserting “for fiscal years
3 before fiscal year 2003,” after “(ii)”;
4 and

5 (II) in subclause (II), by striking
6 the period at the end and inserting “;
7 and”; and

8 (v) by adding at the end the following
9 new clause:

10 “(iii) for a fiscal year beginning after fiscal
11 year 2002, for hospitals located in all areas, to
12 the product of—

13 “(I) the applicable average standard-
14 ized amount (computed under subpara-
15 graph (A)), reduced under subparagraph
16 (B), and adjusted or reduced under sub-
17 paragraph (C) for the fiscal year; and

18 “(II) the weighting factor (determined
19 under paragraph (4)(B)) for that diag-
20 nosis-related group.”.

21 (B) TECHNICAL CONFORMING SUNSET.—
22 Section 1886(d)(3) of such Act (42 U.S.C.
23 1395ww(d)(3)) is amended in the matter pre-
24 ceding subparagraph (A) by inserting “for fiscal

1 years before fiscal year 1997” before “a re-
2 gional DRG prospective payment rate”.

3 **SEC. 6. RESTORING FULL MARKET BASKET UPDATE FOR**
4 **INPATIENT PPS HOSPITALS.**

5 Section 1886(b)(3)(B)(i) (42 U.S.C.
6 1395ww(b)(3)(B)(i)) is amended—

7 (1) in subclause (XV), by adding “and” at the
8 end;

9 (2) in subclause (XVI)—

10 (A) by inserting “and each subsequent fis-
11 cal year” after “for fiscal year 2001”; and

12 (B) by striking the comma at the end and
13 inserting a period; and

14 (3) by striking subclauses (XVII), (XVIII), and
15 (XIX).

16 **SEC. 7. FREEZING INDIRECT MEDICAL EDUCATION (IME)**
17 **ADJUSTMENT PERCENTAGE AT 6.5 PERCENT.**

18 (a) IN GENERAL.—Section 1886(d)(5)(B)(ii) (42
19 U.S.C. 1395ww(d)(5)(B)(ii)) is amended—

20 (1) in subclause (V), by adding “and” at the
21 end; and

22 (2) by striking subclauses (VI) and (VII) and
23 inserting the following:

24 “(VI) on or after October 1, 2001, ‘c’ is
25 equal to 1.6.”.

1 (b) CONFORMING AMENDMENT RELATING TO DE-
 2 TERMINATION OF STANDARDIZED AMOUNT.—Section
 3 1886(d)(2)(C)(i) (42 U.S.C. 1395ww(d)(2)(C)(i)) is
 4 amended—

5 (1) by striking “1999 or” and inserting
 6 “1999,”; and

7 (2) by inserting “, or of section 7 of the Rural
 8 Health Care Equity Act of 2003” after “2000”.

9 **SEC. 8. ESTABLISHMENT OF RURAL COMMUNITY HOSPITAL**
 10 **(RCH) PROGRAM.**

11 (a) IN GENERAL.—Section 1861 (42 U.S.C. 1395x)
 12 is amended by adding at the end of the following new sub-
 13 section:

14 “Rural Community Hospital; Rural Community Hospital
 15 Services

16 “(ww)(1) The term ‘rural community hospital’ means
 17 a hospital (as defined in subsection (e)) that—

18 “(A) is located in a rural area (as defined in
 19 section 1886(d)(2)(D)) or treated as being so lo-
 20 cated pursuant to section 1886(d)(8)(E);

21 “(B) subject to subparagraph (B), has less than
 22 51 acute care inpatient beds, as reported in its most
 23 recent cost report;

24 “(C) makes available 24-hour emergency care
 25 services;

1 “(D) subject to subparagraph (C), has a pro-
2 vider agreement in effect with the Secretary and is
3 open to the public as of January 1, 2002; and

4 “(E) applies to the Secretary for such designa-
5 tion.

6 “(2) For purposes of paragraph (1)(B), beds in a
7 psychiatric or rehabilitation unit of the hospital which is
8 a distinct part of the hospital shall not be counted.

9 “(3) Subparagraph (1)(C) shall not be construed to
10 prohibit any of the following from qualifying as a rural
11 community hospital:

12 “(A) A replacement facility (as defined by the
13 Secretary in regulations in effect on January 1,
14 2002) with the same service area (as defined by the
15 Secretary in regulations in effect on such date).

16 “(B) A facility obtaining a new provider num-
17 ber pursuant to a change of ownership.

18 “(C) A facility which has a binding written
19 agreement with an outside, unrelated party for the
20 construction, reconstruction, lease, rental, or financ-
21 ing of a building as of January 1, 2002.

22 “(4) Nothing in this subsection shall be construed as
23 prohibiting a critical access hospital from qualifying as a
24 rural community hospital if the critical access hospital

1 meets the conditions otherwise applicable to hospitals
 2 under subsection (e) and section 1866.”.

3 (b) PAYMENT.—

4 (1) INPATIENT SERVICES.—Section 1814 (42
 5 U.S.C. 1395f) is amended by adding at the end the
 6 following new subsection:

7 “Payment for Inpatient Services Furnished in Rural
 8 Community Hospitals

9 “(m) The amount of payment under this part for in-
 10 patient hospital services furnished in a rural community
 11 hospital, other than such services furnished in a psy-
 12 chiatric or rehabilitation unit of the hospital which is a
 13 distinct part, is, at the election of the hospital in the appli-
 14 cation referred to in section 1861(ww)(1)(D)—

15 “(1) the reasonable costs of providing such
 16 services, without regard to the amount of the cus-
 17 tomary or other charge, or

18 “(2) the amount of payment provided for under
 19 the prospective payment system for inpatient hos-
 20 pital services under section 1886(d).”.

21 (2) OUTPATIENT SERVICES.—Section 1834 (42
 22 U.S.C. 1395m) is amended by adding at the end the
 23 following new subsection:

24 “(n) PAYMENT FOR OUTPATIENT SERVICES FUR-
 25 NISHED IN RURAL COMMUNITY HOSPITALS.—

1 “(1) IN GENERAL.—The amount of payment
 2 under this part for outpatient services furnished in
 3 a rural community hospital is, at the election of the
 4 hospital in the application referred to in section
 5 1861(ww)(1)(D)—

6 “(A) the reasonable costs of providing such
 7 services, without regard to the amount of the
 8 customary or other charge and any limitation
 9 under section 1861(v)(1)(U), or

10 “(B) the amount of payment provided for
 11 under the prospective payment system for cov-
 12 ered OPD services under section 1833(t).

13 “(2) BENEFICIARY COST SHARING FOR OUTPATIENT
 14 SERVICES FURNISHED IN A RURAL COMMUNITY HOS-
 15 PITAL.—The amounts of beneficiary cost sharing for out-
 16 patient services furnished in a rural community hospital
 17 under this part shall be as follows:

18 “(A) For items and services that would have
 19 been paid under section 1833(t) if provided by a
 20 hospital, the amount of cost sharing determined
 21 under paragraph (8) of such section.

22 “(B) For items and services that would have
 23 been paid under section 1833(h) if furnished by a
 24 provider or supplier, no cost sharing shall apply.

1 “(C) For all other items and services, the
 2 amount of cost sharing that would apply to the item
 3 or service under the methodology that would be used
 4 to determine payment for such item or service if pro-
 5 vided by a physician, provider, or supplier, as the
 6 case may be.”.

7 (3) HOME HEALTH SERVICES.—

8 (A) EXCLUSION FROM HOME HEALTH
 9 PPS.—

10 (i) IN GENERAL.—Section 1895 (42
 11 U.S.C. 1395fff) is amended by adding at
 12 the end the following:

13 “(f) EXCLUSION.—

14 “(1) IN GENERAL.—In determining payments
 15 under this title for home health services furnished on
 16 or after October 1, 2002, by a qualified RCH-based
 17 home health agency (as defined in paragraph (2))—

18 “(A) the agency may make a one-time elec-
 19 tion to waive application of the prospective pay-
 20 ment system established under this section to
 21 such services furnished by the agency shall not
 22 apply; and

23 “(B) in the case of such an election, pay-
 24 ment shall be made on the basis of the reason-
 25 able costs incurred in furnishing such services

as determined under section 1861(v), but without regard to the amount of the customary or other charges with respect to such services or the limitations established under paragraph (1)(L) of such section.

“(2) QUALIFIED RCH-BASED HOME HEALTH AGENCY DEFINED.—For purposes of paragraph (1), a ‘qualified RCH-based home health agency’ is a home health agency that is a provider-based entity (as defined in section 404 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (Public Law 106–554; Appendix F, 114 Stat. 2763A–506) of a rural community hospital that is located—

“(A) in a county in which no main or branch office of another home health agency is located; or

“(B) at least 35 miles from any main or branch office of another home health agency.”.

(ii) CONFORMING CHANGES.—

(I) PAYMENTS UNDER PART A.—

Section 1814(b) (42 U.S.C. 1395f(b)) is amended by inserting “or with respect to services to which section

1895(f) applies” after “equipment” in the matter preceding paragraph (1).

(II) PAYMENTS UNDER PART B.—Section 1833(a)(2)(A) (42 U.S.C. 1395l(a)(2)(A)) is amended by striking “the prospective payment system under”.

(III) PER VISIT LIMITS.—Section 1861(v)(1)(L)(i) (42 U.S.C. 1395x(v)(1)(L)(i)) is amended by inserting “(other than by a qualified RCH-based home health agency (as defined in section 1895(f)(2))” after “with respect to services furnished by home health agencies”.

(iii) CONSOLIDATED BILLING.—

(I) RECIPIENT OF PAYMENT.—Section 1842(b)(6)(F) (42 U.S.C. 1395u(b)(6)(F)) is amended by inserting “and excluding home health services to which section 1895(f) applies” after “provided for in such section”.

(II) EXCEPTION TO EXCLUSION FROM COVERAGE.—Section 1862(a)

1 (42 U.S.C. 1395y(a)) is amended by
 2 inserting before the period at the end
 3 of the second sentence the following:
 4 “and paragraph (21) shall not apply
 5 to home health services to which sec-
 6 tion 1895(f) applies”.

7 (4) RETURN ON EQUITY.—Section
 8 1861(v)(1)(P) (42 U.S.C. 1395x(v)(1)(P)) is amend-
 9 ed—

10 (A) by inserting “(i)” after “(P)”; and

11 (B) by adding at the end the following:

12 “(ii)(I) Notwithstanding clause (i), subparagraph
 13 (S)(i), and section 1886(g)(2), such regulations shall pro-
 14 vide, in determining the reasonable costs of the services
 15 described in subclause (II) furnished by a rural commu-
 16 nity hospital on or after October 1, 2002, for payment
 17 of a return on equity capital at a rate of return equal to
 18 150 percent of the average specified in clause (i).

19 “(II) The services described in this subparagraph are
 20 inpatient hospital services, outpatient hospital services,
 21 home health services furnished by a qualified RCH-based
 22 home health agency (as defined in section 1895(f)(2)), and
 23 ambulance services.

1 “(III) Payment under this clause shall be made with-
 2 out regard to whether a provider is a proprietary pro-
 3 vider.”.

4 (5) EXEMPTION FROM 30 PERCENT REDUCTION
 5 IN REIMBURSEMENT FOR BAD DEBT.—Section
 6 1861(v)(1)(T) (42 U.S.C. 1395x(v)(1)(T)) is amend-
 7 ed by inserting “(other than a rural community hos-
 8 pital)” after “In determining such reasonable costs
 9 for hospitals”.

10 (c) CONFORMING AMENDMENTS.—

11 (1) PART A PAYMENT.—Section 1814(b) (42
 12 U.S.C. 1395f(b)) is amended by inserting “other
 13 than a rural community hospital furnishing inpatient
 14 hospital services,” after “critical access hospital
 15 services,” in the matter preceding paragraph (1).

16 (2) PART B PAYMENT.—

17 (A) IN GENERAL.—Section 1833(a) (42
 18 U.S.C. 1395l(a)) is amended—

19 (i) in paragraph (2), in the matter
 20 preceding subparagraph (A), by striking
 21 “and (I)” and inserting “(I), and (K)”;

22 (ii) in paragraph (8), by striking
 23 “and” after the semicolon at the end;

1 (iii) in paragraph (9), by striking the
 2 period at the end and inserting “; and”;
 3 and

4 (iv) by adding at the end the following
 5 new paragraph:

6 “(10) in the case of outpatient services fur-
 7 nished by a rural community hospital, the amounts
 8 described in section 1834(n).”.

9 (B) AMBULANCE SERVICES.—Section
 10 1834(l)(8) (42 U.S.C. 1395m(l)(8)), as added
 11 by section 205(a) of the Medicare, Medicaid,
 12 and SCHIP Benefits Improvement and Protec-
 13 tion Act of 2000 (Appendix F, 114 Stat.
 14 2763A–463), as enacted into law by section
 15 1(a)(6) of Public Law 106–554, is amended—

16 (i) in the heading, by striking “CRIT-
 17 ICAL ACCESS HOSPITALS” and inserting
 18 “CERTAIN FACILITIES”;

19 (ii) by striking “or” at the end of sub-
 20 paragraph (A);

21 (iii) by redesignating subparagraph
 22 (B) as subparagraph (C);

23 (iv) by inserting after subparagraph
 24 (A) the following new subparagraph:

“(B) by a rural community hospital (as defined in section 1861(ww)(1)), or”; and

(v) in subparagraph (C), as so redesignated, by inserting “or a rural community hospital” after “critical access hospital”.

(3) TECHNICAL AMENDMENTS.—

(A) CONSULTATION WITH STATE AGENCIES.—Section 1863 (42 U.S.C. 1395z) is amended by striking “and (dd)(2)” and inserting “(dd)(2), (mm)(1), and (ww)(1)”.

(B) PROVIDER AGREEMENTS.—The first sentence of section 1866(a)(2)(A) (42 U.S.C. 1395cc(a)(2)(A)) is amended by inserting “section 1834(n)(2),” after “section 1833(b),”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to items and services furnished on or after October 1, 2002.

SEC. 9. REMOVING BARRIERS TO ESTABLISHMENT OF DISTINCT PART UNITS BY RCH AND CAH FACILITIES.

(a) IN GENERAL.—Section 1886(d)(1)(B) (42 U.S.C. 1395ww(d)(1)(B)) is amended by striking “a distinct part of the hospital (as defined by the Secretary)” and inserting “a distinct part (as defined by the Secretary) of the

1 hospital, critical access hospital, or rural community hos-
 2 pital” in the matter following clause (v)(III).

3 (b) EFFECTIVE DATE.—The amendment made by
 4 subsection (a) shall apply to determinations with respect
 5 to distinct part unit status that are made on or after Octo-
 6 ber 1, 2002.

7 **SEC. 10. IMPROVEMENTS TO MEDICARE CRITICAL ACCESS**
 8 **HOSPITAL (CAH) PROGRAM.**

9 (a) EXCLUSION OF CERTAIN BEDS FROM BED
 10 COUNT.—Section 1820(c)(2) (42 U.S.C. 1395i–4(c)(2)) is
 11 amended by adding at the end the following new subpara-
 12 graph:

13 “(E) EXCLUSION OF CERTAIN BEDS FROM
 14 BED COUNT.—In determining the number of
 15 beds of a facility for purposes of applying the
 16 bed limitations referred to in subparagraph
 17 (B)(iii) and subsection (f), the Secretary shall
 18 not take into account any bed of a distinct part
 19 psychiatric or rehabilitation unit (described in
 20 the matter following clause (v) of section
 21 1886(d)(1)(B)) of the facility, except that the
 22 total number of beds that are not taken into ac-
 23 count pursuant to this subparagraph with re-
 24 spect to a facility shall not exceed 10.”.

1 (b) PAYMENTS TO HOME HEALTH AGENCIES OWNED
 2 AND OPERATED BY A CAH.—Section 1895(f)(1) (42
 3 U.S.C. 1395fff(f)(1)), as added by this title, is further
 4 amended by inserting “or by a home health agency that
 5 is owned and operated by a critical access hospital (as de-
 6 fined in section 1861(mm)(1))” after “as defined in para-
 7 graph (2))” in the matter preceding subparagraph (A).

8 (c) PAYMENTS TO CAH-OWNED SNFs.—

9 (1) IN GENERAL.—Section 1888(e) (42 U.S.C.
 10 1395yy(e)) is amended—

11 (A) in paragraph (1), by striking “and
 12 (12)” and inserting “(12), and (13)”; and

13 (B) by adding at the end the following new
 14 paragraph:

15 “(13) EXEMPTION OF CAH FACILITIES FROM
 16 PPS.—In determining payments under this part for
 17 covered skilled nursing facility services furnished on
 18 or after October 1, 2002, by a skilled nursing facil-
 19 ity that is a distinct part unit of a critical access
 20 hospital (as defined in section 1861(mm)(1)) or is
 21 owned and operated by a critical access hospital—

22 “(A) the prospective payment system es-
 23 tablished under this subsection shall not apply;
 24 and

“(B) payment shall be made on the basis of the reasonable costs incurred in furnishing such services as determined under section 1861(v), but without regard to the amount of the customary or other charges with respect to such services or the limitations established under subsection (a).”.

(2) CONFORMING CHANGES.—

(A) IN GENERAL.—Section 1814(b) (42 U.S.C. 1395f(b)), as amended by section 8(e)(1), is further amended in the matter preceding paragraph (1)—

(i) by inserting “other than a skilled nursing facility providing covered skilled nursing facility services (as defined in section 1888(e)(2)) or posthospital extended care services to which section 1888(e)(13) applies,” after “inpatient critical access hospital services”; and

(ii) by striking “1813 1886,” and inserting “1813, 1886, 1888,”.

(B) CONSOLIDATED BILLING.—

(i) RECIPIENT OF PAYMENT.—Section 1842(b)(6)(E) (42 U.S.C. 1395u(b)(6)(E)) is amended by inserting “services to which

1 paragraph (7)(C) or (13) of section
2 1888(e) applies and” after “other than”.

3 (ii) EXCEPTION TO EXCLUSION FROM
4 COVERAGE.—Section 1862(a)(18) (42
5 U.S.C. 1395y(a)(18)) is amended by in-
6 serting “(other than services to which
7 paragraph (7)(C) or (13) of section
8 1888(e) applies)” after “section
9 1888(e)(2)(A)(i)”.

10 (d) PAYMENTS TO DISTINCT PART PSYCHIATRIC OR
11 REHABILITATION UNITS OF CAHS.—Section 1886(b) (42
12 U.S.C. 1395ww(b)) is amended—

13 (1) in paragraph (1), by inserting “, other than
14 a distinct part psychiatric or rehabilitation unit to
15 which paragraph (8) applies,” after “subsection
16 (d)(1)(B)”;

17 (2) by adding at the end the following new
18 paragraph:

19 “(8) EXEMPTION OF CERTAIN DISTINCT PART PSY-
20 CHIATRIC OR REHABILITATION UNITS FROM COST LIM-
21 ITS.—In determining payments under this part for inpa-
22 tient hospital services furnished on or after October 1,
23 2002, by a distinct part psychiatric or rehabilitation unit
24 (described in the matter following clause (v) of subsection

1 (d)(1)(B)) of a critical access hospital (as defined in sec-
 2 tion 1861(mm)(1))—

3 “(A) the limits imposed under the preceding
 4 paragraphs of this subsection shall not apply; and

5 “(B) payment shall be made on the basis of the
 6 reasonable costs incurred in furnishing such services
 7 as determined under section 1861(v), but without re-
 8 gard to the amount of the customary or other
 9 charges with respect to such services.”.

10 (e) RETURN ON EQUITY.—Section 1861(v)(1)(P) (42
 11 U.S.C. 1395x(v)(1)(P)), as amended by section 8(b)(4),
 12 is further amended by adding at the end the following new
 13 clause:

14 “(iii)(I) Notwithstanding clause (i), subparagraph
 15 (S)(i), and section 1886(g)(2), such regulations shall pro-
 16 vide, in determining the reasonable costs of the services
 17 described in subclause (II) furnished by a rural commu-
 18 nity hospital on or after October 1, 2002, for payment
 19 of a return on equity capital at a rate of return equal to
 20 150 percent of the average specified in clause (i).

21 “(II) The services described in this subclause are in-
 22 patient critical access hospital services (as defined in sec-
 23 tion 1861(mm)(2)), outpatient critical access hospital
 24 services (as defined in section 1861(mm)(3)), extended
 25 care services provided pursuant to an agreement under

1 section 1883, posthospital extended care services to which
 2 section 1888(e)(13) applies, home health services to which
 3 section 1895(f) applies, ambulance services to which sec-
 4 tion 1834(l) applies, and inpatient hospital services to
 5 which section 1886(b)(8) applies.

6 “(III) Payment under this clause shall be made with-
 7 out regard to whether a provider is a proprietary pro-
 8 vider.”.

9 (f) TECHNICAL CORRECTIONS.—

10 (1) SECTION 403(b) OF BBRA 1999.—Section
 11 1820(b)(2) (42 U.S.C. 1395i–4(b)(2)) is amended
 12 by striking “nonprofit or public hospitals” and in-
 13 serting “hospitals”.

14 (2) SECTION 203(b) OF BIPA 2000.—Section
 15 1883(a)(3) (42 U.S.C. 1395tt(a)(3)) is amended—

16 (A) by inserting “section 1861(v)(1)(G)
 17 or” after “Notwithstanding”; and

18 (B) by striking “covered skilled nursing fa-
 19 cility”.

20 (g) EFFECTIVE DATES.—

21 (1) ELIMINATION OF REQUIREMENTS.—The
 22 amendment made by subsections (a) and (b) shall
 23 apply to services furnished on or after October 1,
 24 2002.

25 (2) TECHNICAL CORRECTIONS.—

(A) BBRA.—The amendment made by subsection (f)(1) shall be effective as if included in the enactment of section 403(b) of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (Appendix F, 113 Stat. 1501A–321), as enacted into law by section 1000(a)(6) of Public Law 106–113.

(B) BIPA.—The amendment made by subsection (f)(2) shall be effective as if included in the enactment of section 203(b) of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (Appendix F, 114 Stat. 2763A–463), as enacted into law by section 1(a)(6) of Public Law 106–554.

**SEC. 11. 5-YEAR EXTENSION OF THE AUTHORIZATION FOR
APPROPRIATIONS FOR GRANT PROGRAM.**

Section 1820(j) (42 U.S.C. 1395i–4(j)) is amended by striking “through 2002” and inserting “through 2007”.

1 **SEC. 12. GAO STUDY ON WAGE INDEXING AND PLACEMENT**
2 **OF HOSPITALS IN MSAs.**

3 (a) STUDY.—The Comptroller General of the United
4 States shall conduct a study on the reformation of wage
5 indexing and the rules governing the placement of hos-
6 pitals in metropolitan statistical areas.

7 (b) REPORT.—Not later than 1 year after the date
8 of enactment of this Act, the Comptroller General shall
9 submit to Congress a report on the study conducted under
10 subsection (a) together with recommendations for such
11 legislation or administrative actions as the Comptroller
12 General considers appropriate.

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